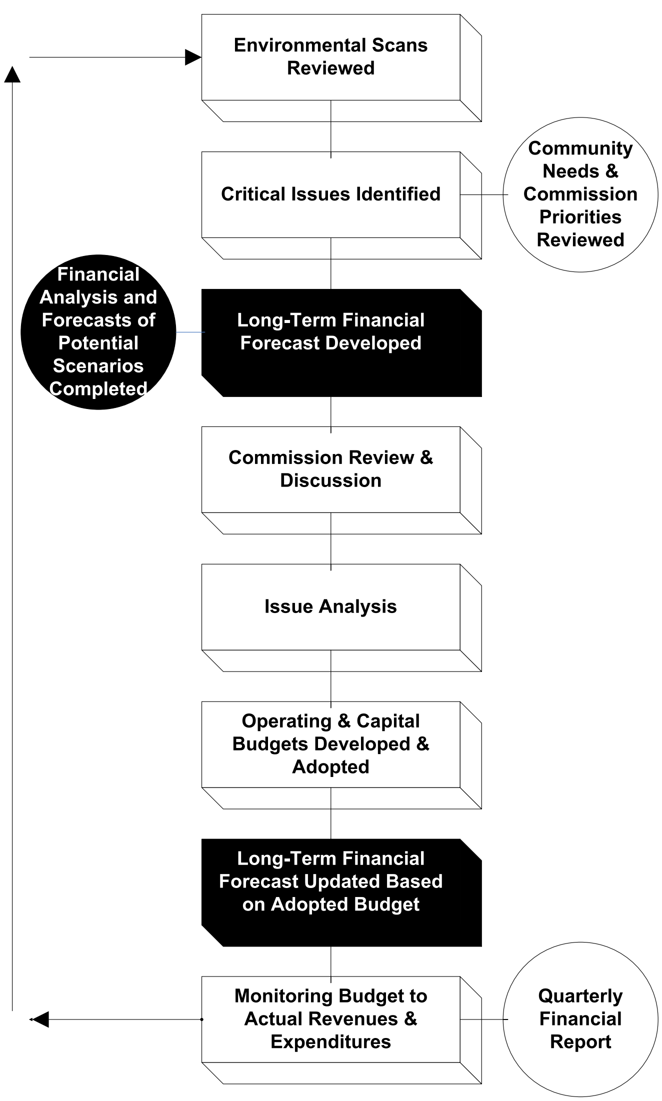
Financial Forecast

For the Period of 2016 - 2021

■ Introduction

Sedgwick County prepares an annual long-term financial forecast as a fundamental element of the budget process. The purpose of the forecast is to evaluate current and future fiscal conditions to guide policy and programmatic decisions. A financial forecast is a fiscal management tool that presents estimated information based on current and projected financial conditions to identify future revenue and expenditure trends that may have an immediate or long-term influence on County policies, strategic goals, or community services. The forecast assists in the formation of decisions that exercise fiscal discipline and deliver essential community services as an integral part of the annual budgeting process. All information is presented on a budgetary basis.

Financial Forecast and the Budget Process

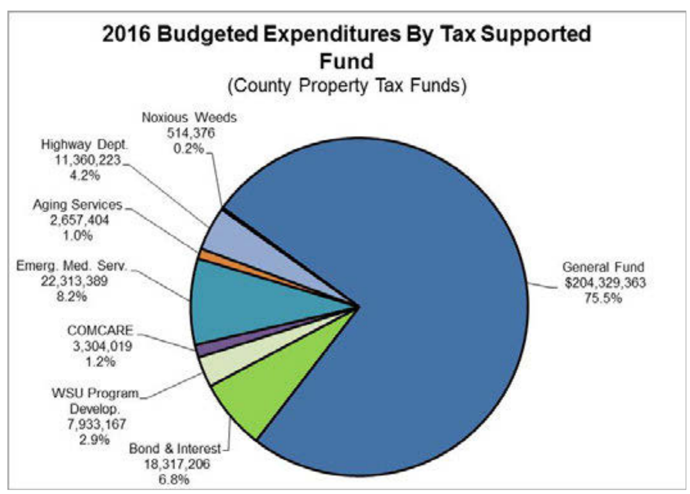


■ Financial Forecast vs. Budget

The long-term financial forecast should be distinguished from the annual budget, as the forecast projects expected revenues and expenditures for the current year and five years into the future, while the budget sets the maximum amount of spending for one year. An additional distinction is that the budget typically includes budgeted contingencies to provide additional budget authority beyond the amount allocated to an individual division or department for use in times of unanticipated events. While budgeted, these contingencies typically are not anticipated to be spent in the financial forecast. As such, the budget generally is significantly greater than the forecast for a given year. For 2017, more than $21 million in contingencies is budgeted in the County General Fund alone.

The revenue and expenditure estimates included in this financial forecast pertain only to County property-tax-supported funds. These funds are outlined in the pie chart below. Total budgeted expenditures in these funds are $270,729,148, though forecasted expenditures total $247,883,829 in 2017. The difference is largely related to the contingencies outlined in the paragraph above.

The actions included in the 2017 recommended budget result in a projected operating deficit of $4.5 million in the County's financial forecast, which is the result of an intentional use of fund balance to fund one-time projects and an intentional draw down of fund balance to reach targeted levels in some funds.



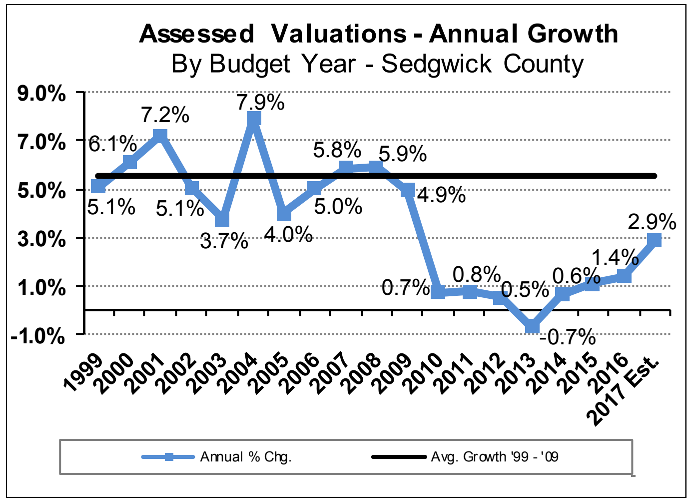
■ Forecasting Methodology

The estimates included in the forecast are formulated through the use of both quantitative and qualitative methods. Quantitatively, historical revenues and expenditures were analyzed primarily through trend analysis and percentage growth patterns. In addition, national, state, and local economic conditions were evaluated to determine what impact they may have on the County's ability to generate specific types of revenue. Qualitatively, the forecast draws upon the experience and knowledge of finance staff to outline the most likely results.

Whenever forecasts are done, even a local weather forecast, one often loses sight that these forecasts are performed based on the most recently available variables. For the financial forecast, these variables include economic data through July 2016, along with the changes included in the 2017 County Manager's recommended budget. Unfortunately, financial variables are constantly changing. The forecasts included here are subject to unforeseen and uncontrollable national, state, and local events, in addition to the timing of large capital projects and operational decisions that may make the forecasts less accurate. All information is presented on a budgetary basis.

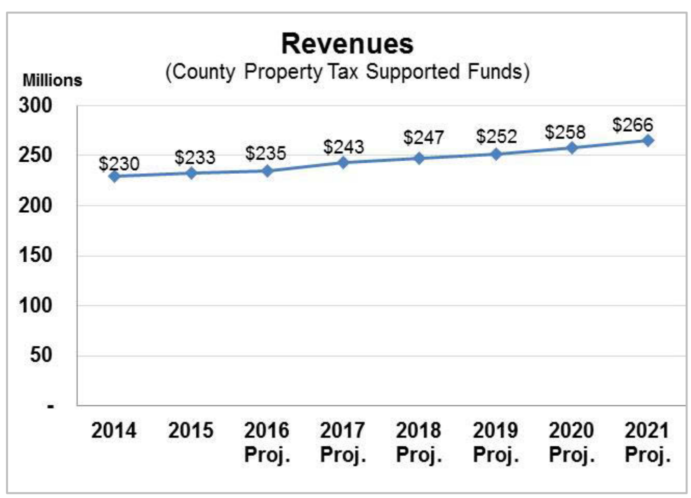
■ Executive Summary

Similar to other state and local governments, Sedgwick County government remains challenged by modest revenue growth, though reports in a few areas point to gradual improvement in the local financial condition. From 2010 through 2012, valuations driving property tax collections (more than 50 percent of total revenues per year) experienced less than one percent growth. Then, for the first time in 20 years, assessed property tax valuations for the 2013 budget experienced a negative assessment of 0.7 percent. Growth returned in the 2014 budget, when assessed property valuations increased 0.6 percent. Assessed valuation growth for the 2015 budget was 1.1 percent over the previous year. Growth was 1.4 percent for the 2016 budget and is estimated at 2.9 percent for the 2017 recommended budget. The table in the next column illustrates changes in Sedgwick County's assessed valuation since 1999.

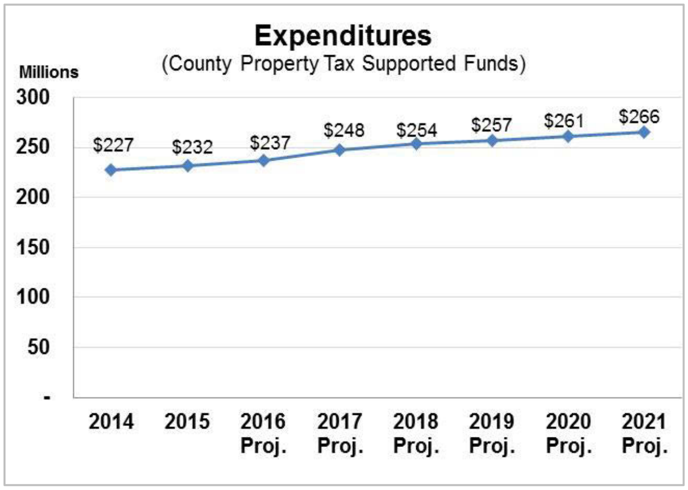


Other key revenues comprising approximately 32 percent of total revenues in County property-tax-supported funds are slowly returning to pre-Great Recession levels. These key revenues do not include property taxes and are highlighted and discussed within this section of the budget document.

The County's revenue collections since the Great Recession have remained relatively flat, after falling significantly in 2009. As shown in the table below, projections outline slight growth in 2016, with slightly stronger revenue growth returning in 2017 as property valuations slowly improve. However, the Kansas Legislature's decision during the 2014 legislative session to phase out the mortgage registration fee by 2019 has a significant impact on the long-term forecast. Additionally, Federal actions to increase the overtime eligibility threshold in December 2016 and potential State actions to address projected deficits in State Fiscal Year 2017, which begins July 1, 2016, continue to pose a threat to the County's financial condition.



As a result of revenue declines following the Great Recession and modest revenue growth in the financial forecast, along with reduced revenue from the mortgage registration fee due to 2014 legislative action, the County has made great efforts to maintain expenditure control to maintain fiscal integrity.



Because of the challenging revenue environment and flat expenditure growth over an extended period, Sedgwick County has experienced significant changes in both the services it delivers and how those services are delivered. The County continues to work through the current environment to achieve the principles identified by the County Manager:

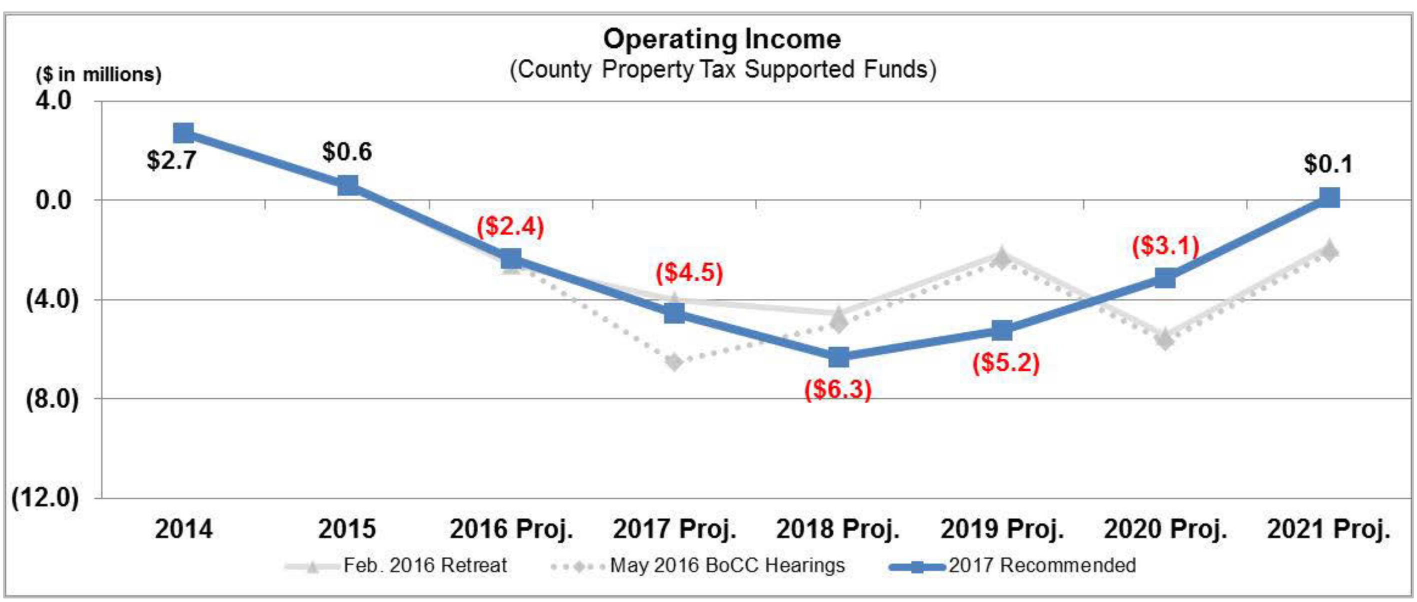
- Continued emphasis on core services;
- Reduced government funding to services that can be provided by non-governmental entities or through private sector or other funding support;
- Reduced debt and reliance on bonding; and
- Maintain the mill levy tax rate at the 2010 level

Since the economic downtown, the County has been responsive to the financial challenges outlined in the financial forecast. While the economy continues to improve, the County will continue to be challenged by expenses that exceed revenues. The blue line in the graph below shows the County's actual and current projections for each year in the forecast. The 2017 recommended budget includes a deficit of $4.5 million related to several one-time projects and an intentional draw down of fund balance to reach targeted levels in the County's property-tax-supported funds.

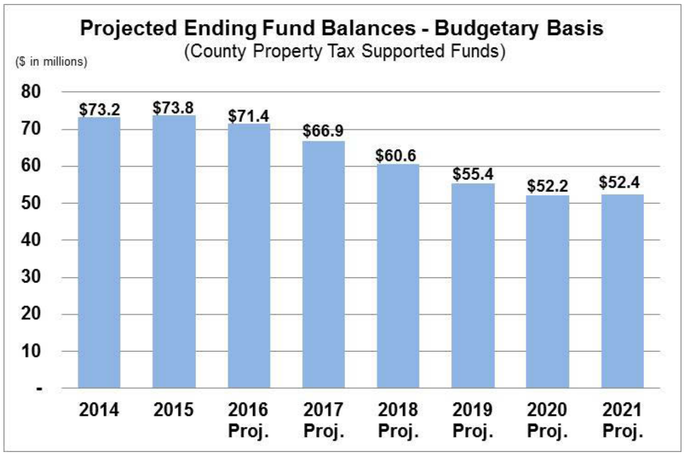
Consistent with the Commission's actions in the 2016 budget to reduce debt, almost $7.7 million in transfers for capital improvement projects are planned from County property-tax-supported funds to the County's Capital Improvement Fund: $2.9 million for new EMS posts; $2.9 million for a law enforcement training facility for the Sheriff, of which $1.3 million will not be funded with transfers from operating funds, but rather with residual balances from other capital improvement projects; $1.6 million for road and bridge projects; $1.2 million for facility projects; and $0.5 million for drainage.

The table below outlines projected operating results in each year of the forecast. Current projections outline deficits in each year through 2020 as projected expenditures outpace projected revenue growth. In 2021, the forecast projects a modest operating surplus as expenditure and revenues reach a balance.

As outlined previously, the organizaton's strategic efforts are significantly influenced by the forecast. The forecast is a valuable planning tool that is used to ensure the long-term continuity of essential services. Prior to



the national recession, Sedgwick County proactively implemented an initiative to increase its fund balances during the good times to weather significant economic downturns later through a "rainy day reserve". Despite the Great Recession, the County added to the cumulative fund balance of County property-tax-supported funds in 2012 through 2015, but is anticipated to incur deficits in 2016 due to one-time capital projects.



Due to the County's previous actions to develop a "rainy day reserve" and other management actions outlined in the box to the right, the County has been able to make strategic decisions regarding how and when to make service changes to minimize the impact on community services. With the extended recovery, the sustainability of the County is placed at risk if existing operations are not monitored and adjusted to address current economic conditions and revenue collections that appear to be slowly rebounding.

Over the planning horizon of the financial forecast, the County will continue to confront a variety of challenges. In addition to challenges from an uncertain economy, actions at the Federal and State levels continue to cause concern to County management. These challenges will require the County to continue to concentrate on a variety of core financial guidelines, as outlined in the following section.

- **<u>Revenue Core Guidelines</u>**
  - Maintain the mill levy rate imposed on properties in Sedgwick County at the 2010 level
  - Maintaining a diversified revenue base requires diligence. Adjust current fees when appropriate.
  - Effective governance is the result of effective partnerships. County services mandated by another government should be funded by that government.

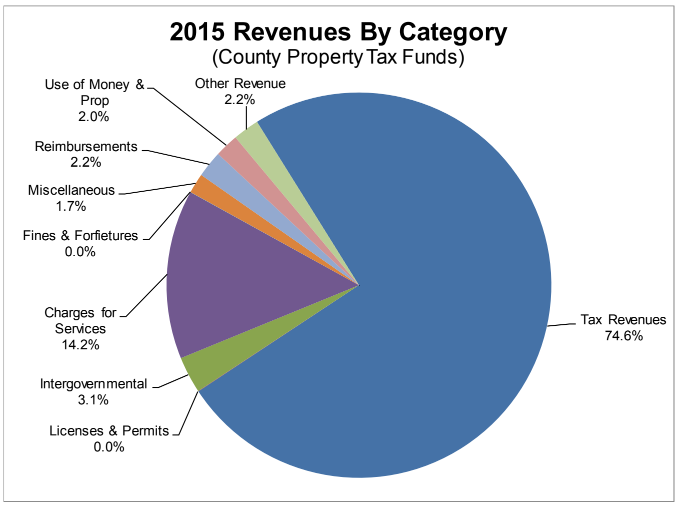
- **<u>Expenditure Core Guidelines</u>**
  - Concentrate public services on those considered core, "tier 1" County services
  - Reduced government funding to services that can be provided by non-governmental entities or through private sector or other funding support.
  - Reduce debt and reliance on bonding
  - Seek innovative programs for delivering public services beyond current operating standards
  - Educate State legislators on the impact of new and pending State mandates

<u>Previous Management Decisions</u>

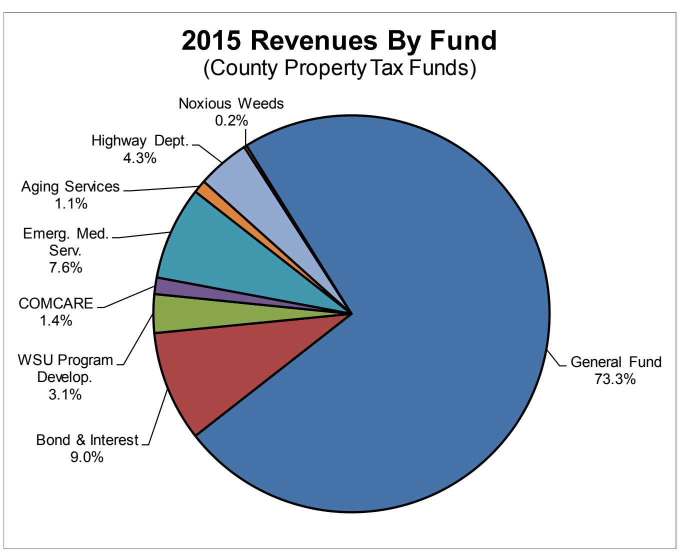
- **2007**: 2.5 mill increase to address public safety issues with a growing jail population, maintaining other public safety services, and construction of the Center for Aviation Training.
- **2008**: Implementation of Drug Court Jail Alternative.
- **2009**: County eliminates 1.0 mill from the property tax levy by deferring a 384 bed expansion to the jail.
- **2010**: Suspended performance compensation and implemented a general pay adjustment of 2.0% for eligible employees with salaries below $75,000. Implemented a ½ mill reduction in the property tax rate, combined with $3.3 million in budget reductions. In May, deferred and/or reduced capital projects totaling $1.8 million and established a position review team.
- **2011:** Implemented a ½ mill reduction in the property tax rate, 2.0% performance-based compensation pool combined with adjustments to employee benefits, deferred a capital project, implemented $2.5 in annual recurring operating reductions in April, and initiated a voluntary retirement program.
- **2012:** Implement budgetary reductions of $10.3 million (impacting both 2011 and 2012 budgets) and no employee compensation adjustment.
- **2013:** Implemented budget reductions of $7.2 million with a 2.5% performance-based merit compensation pool combined with an adjusted health benefits plan which was designed to encourage employees to take responsibility for their health to reduce future increases in benefit costs
- **2014:** Implement a 2.5% performance-based compensation pool. Fund the recommendations of a market pay study for full-time employees. Shift programs to alternative revenue sources. Fully implement a mental health pod at the Adult Detention Facility. Closure of the Judge Riddel Boys Ranch, a State program, due to insufficient State funding
- **2015:** Implement a 2.5% performance-based compensation pool. Shift to a self-funded employee health insurance model. Add one ambulance crew. Add funding for recommendations of Coordinating Council formed to address increasing EMS call demand. Add part-time mower positions. Shift programs to alternative revenue sources. Eliminate funding for Visioneering. Reduce funding to Wichita Area Technical College.
- **2016:** Implement a 1.75% performance-based compensation pool. Reduce funding to external community development and culture and recreation agencies. Eliminate funding for State Affordable Airfares program. Shift from debt funding to cash funding for road/bridge projects. Add additional positions to the Elections Office. Reduce property tax support for some health and aging services. Eliminate the Day Reporting program.

■ Revenues & Transfers In

Sedgwick County's revenue structure related to property-tax-supported funds is grouped into seven primary revenue categories, with aggregate tax collections as the largest revenue source, followed by charges for service and use of money and property. In 2015, a total of $229,913,696 in revenue and transfers in was received in these funds, with 75 percent collected from multiple tax sources. These actual results are the baseline from which financial estimates in the financial forecast are made.



Of the funds receiving property tax support, the largest is the General Fund, with 73 percent of total revenue collections in 2015, followed by the Bond and Interest, EMS, and Highway funds.



Specific Revenue Projections in the Financial Forecast

Of the total revenue collections and transfers from other funds in 2015, 85 percent was collected from seven distinct revenue sources. The following discussion on revenue projections included in the financial forecast will concentrate on these revenues as outlined in the table below.

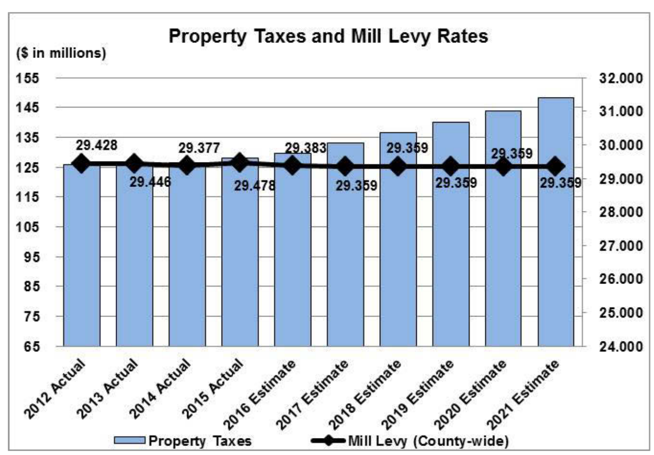
Major Revenues
County Property Tax Supported Funds*

	2015	% of Total
Total Revenues & Transfers In	$232,629,883	100%
Property taxes	$123,060,228	53%
Local sales & use tax	$ 28,447,557	12%
Motor vehicle tax	$ 17,617,142	8%
Medical charges for service	$ 15,934,705	7%
Mortgage registration & officer fees	$ 6,882,928	3%
Special city/county highway	$ 4,411,675	2%
Investment income	$ 1,380,083	1%
Total	$197,734,318	85%

*General Fund, Wichita State University, COMCARE, EMS, Aging, Highway, Noxious Weeds, Bond & Interest

Property Taxes

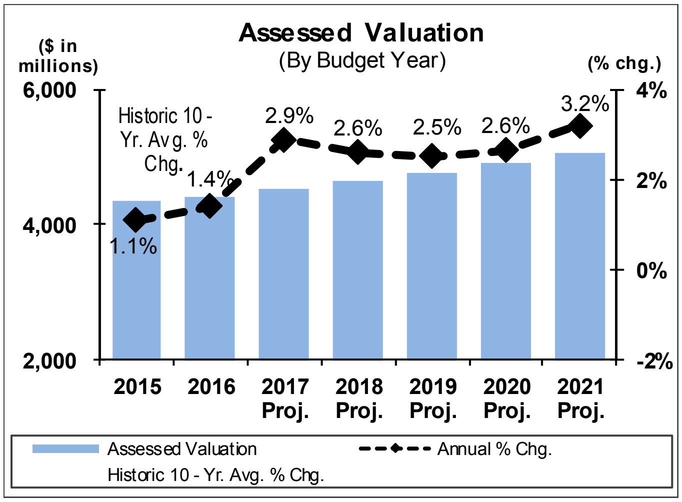
Property taxes play a vital role in financing essential public services. Property tax revenues are primarily used to fund services County-wide in the General Fund and various special revenue funds that do not have the capacity to self-finance their services, in addition to retiring the County's long-term debt on capital projects for facilities and infrastructure. This reliable revenue source has no attached mandates as many other State and Federal revenues often do.



The 2017 recommended budget includes an estimated mill levy rate of 29.359 mills. This forecast assumes that the property tax rate will remain unchanged at 29.359 mills over the planning horizon.

Projected revenue from property tax collections in this financial plan are based on:

- An assumption that the property tax rate will remain unchanged through the planning period at 29.359 mills, absent technical adjustments.
- Increases or decreases in property tax revenues after 2016 will result from estimated changes in assessed valuations and not changes to the mill levy rate.
- An assumption that collection delinquencies will return to more typical historical levels, after the delinquency rate reached 4.2 percent in 2010.

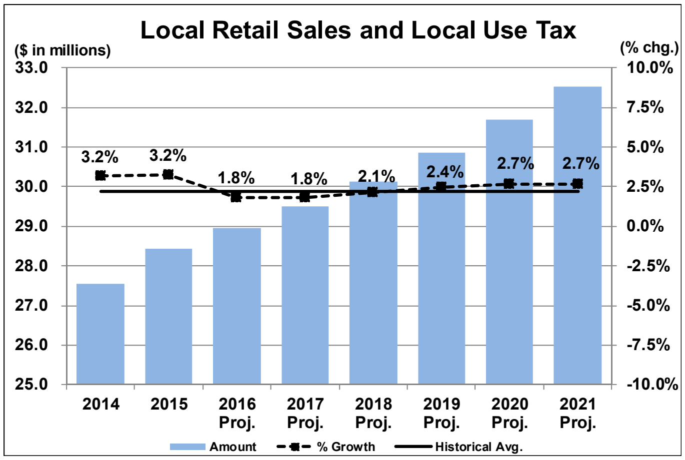


Over the past 10 years, Sedgwick County's assessed valuation has grown an average of 2.1 percent annually. Like many other jurisdictions, the County experienced strong valuation growth between the years of 2000 to 2009 with an average growth rate of 5.5 percent. That trend changed notably in 2010 when valuation increased by less than a percent. Growth was less than one percent through 2012; then, for the first time in 20 years, assessed valuation decreased for the 2013 budget year. Growth returned at a rate of 0.6 percent in the 2014 budget year, and grew at 1.1 percent for the 2015 budget year and 1.4 percent for the 2016 budget year. The 2017 recommended budget includes estimated growth of 2.9 percent. As illustrated below, the forecast estimates that future growth will not be as strong as the past decade, but that modest growth will continue as economic conditions improve.

Within the financial forecast, property tax rates among different County property-tax-supported funds can and are distributed based on the total available resources to achieve the greatest outcomes in service delivery. In some instances, distribution of the total property tax rate is adjusted due to changing operations, one-time projects such as capital improvements, or the availability of unexpected resources. The table below outlines the property tax rate movements estimated within this plan.

Projected Mill Levy Rates by Fund							
Fund	**2015**	**2016**	**2017 Proj.**	**2018 Proj.**	**2019 Proj.**	**2020 Proj.**	**2021 Proj.**
General Fund	21.915	22.249	22.786	22.611	22.302	23.313	23.289
WSU	1.500	1.500	1.500	1.500	1.500	1.500	1.500
COMCARE	0.613	0.585	0.589	0.593	0.585	0.581	0.582
EMS	0.577	0.603	0.277	0.330	1.420	0.300	0.365
Aging	0.497	0.560	0.522	0.516	0.512	0.510	0.494
Highway	1.093	1.129	1.025	1.060	1.100	1.150	1.170
Noxious Weeds	0.081	0.088	0.059	0.065	0.075	0.075	0.074
Bond & Interest	3.202	2.669	2.601	2.684	1.865	1.930	1.885
Total Rate	**29.478**	**29.383**	**29.359**	**29.359**	**29.359**	**29.359**	**29.359**

Local Retail Sales and Use Tax



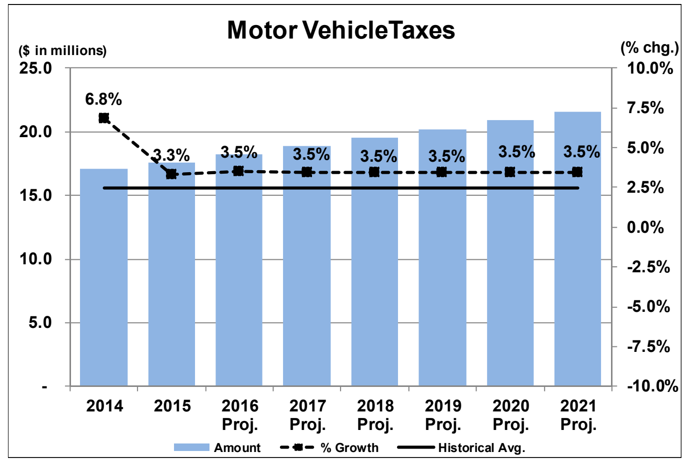
Local use tax, per State statute K.S.A. 12-198, is a tax paid on tangible personal property purchased from other states and used, stored, or consumed in Kansas on which no sales tax was paid. Local retail sales tax is generated from a County-wide one-percent tax on retail sales, imposed pursuant to voter approval in July of 1985. Use tax is also applied if a taxable item is relocated to Sedgwick County from another state and that state's sales tax rate is less than the Kansas rate.

Distribution of these revenues to the County and cities is based half on their individual population levels and half on property tax levies per State statute K.S.A 12-187. Sedgwick County receives 28.5 percent of the revenue produced by the County-wide sales tax; the balance is distributed by the State government to the 20 cities located within the county. There are three principal factors that influence the County's collection of local retail sales tax revenue:

- Total taxable retail sales in Sedgwick County
- Population in the unincorporated areas of the County as a percentage of total County population
- The County's property tax levies as a percentage of total taxes levied by all governmental entities

Historically, retail sales and use tax collections have experienced an average growth rate of 1.7 percent over the past 10 years, but averaged 5.7 percent from 2004 to 2008. As a result of economic stress and the County's reduction in its mill levy over three consecutive years, collections declined from a high of $26.8 million in 2008 to $25.7 million in 2012; however, as the economy has improved, revenues in this category have increased. Total revenues of $28.4 million were collected in 2015.

Motor Vehicle Taxes



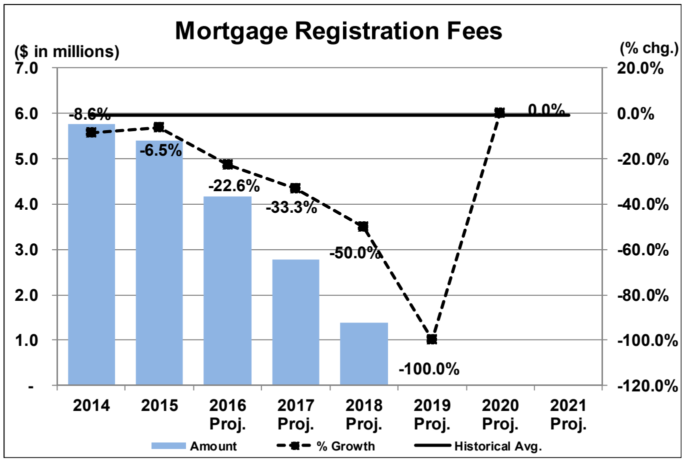
The State statute describing the collection and distribution of Motor Vehicle Taxes is outlined in K.S.A. 79-5101 et seq.

- Motor vehicles are distinguished by 20 vehicle classes, and then taxed at 20 percent of the class value based on the average County-wide mill levy during the previous year. State statutes define the average county-wide mill levy as the amount of general property taxes levied within the county by the State, county, and all other property taxing subdivisions; and then divided by the county's total assessed valuation.
- The 2012 Legislature enacted legislation requiring that an annual commercial vehicle fee be paid in lieu of current property taxes for both interstate and intrastate commercial vehicles registered in Kansas.
- Collected taxes are distributed by the County Treasurer to the taxing jurisdictions based on the owner's residency, and the ratio of levied taxes by the jurisdiction to the total taxes levied.

Collections are dependent not only on economic conditions and vehicle sales, but also on the ratio of County property taxes to all of the other property taxing jurisdictions.

Previously, motor vehicle taxes have been a consistent and reliable revenue source. However, with the changing economy and impact of past tax reductions it has become more inconsistent. This revenue source reached a historical high of $17.2 million in 2009; however, collections are expected to surpass the historical high in 2016, with a projection of $18.2 million.

Mortgage Registration Fees

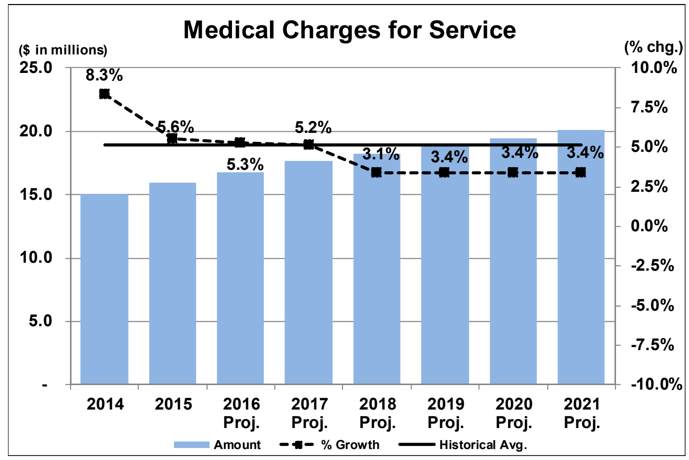


Mortgage registration fees are collected by the Register of Deeds.

- Mortgage registration fees are established under K.S.A. 79-3102, which set the fee rate at 26 cents per $100 of mortgage principal registered through 2014; the County General Fund received 25 cents
- Legislative action in 2014 began a phase-out of the fee in 2015, with complete elimination by 2019
- Additional per-page fees were implemented by the 2014 legislative action, recorded as officer fees in the County's financial system
- The estimated impact of the reduction is $4.8 million in 2019, when per-page fees of $1.7 million offset projected mortgage registration fee loss of $6.5 million

Within this revenue source, collection levels historically have been strongly correlated with the strength of the local real estate and refinancing market. Mortgage registration fees reached a high of $8.7 million in 2003 and generated $5.8 million in 2014, the last year where the fee was at its historic level.

Medical Charges for Service

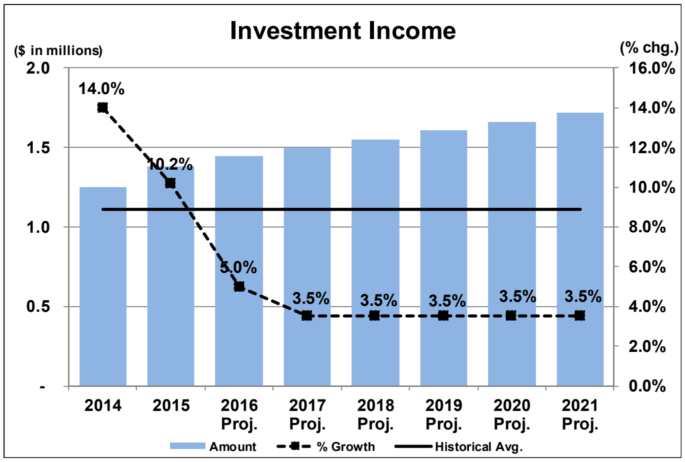


Medical charges for service include Medicaid, Medicare, insurance, and patient fees for delivered medical services. In the property-tax-supported funds, these services are predominately delivered through EMS, generating 92.8 percent of the total 2015 collections, followed by the Health Department and the Sedgwick County Offender Assessment Program (SCOAP).

The County also receives substantial amounts of medical charges for service revenue in grant funds delivering mental health, developmentally disabled, and aging services. Because those revenues are not received within property-tax-supported funds, they are not included within this forecast.

In July 2014, the County moved the EMS billing function in-house. The 2016 adopted budget included an increase in the mileage rate and base rate for transports to bring EMS charges more in line with other emergency service provides. Further revenue growth is anticipated in 2017 as a new EMS post and crew in the southeast area of Sedgwick County provide transports for a new emergency department in the area. Over the last 10 years, medical charges for service have grown an average of approximately 3.3 percent annually.

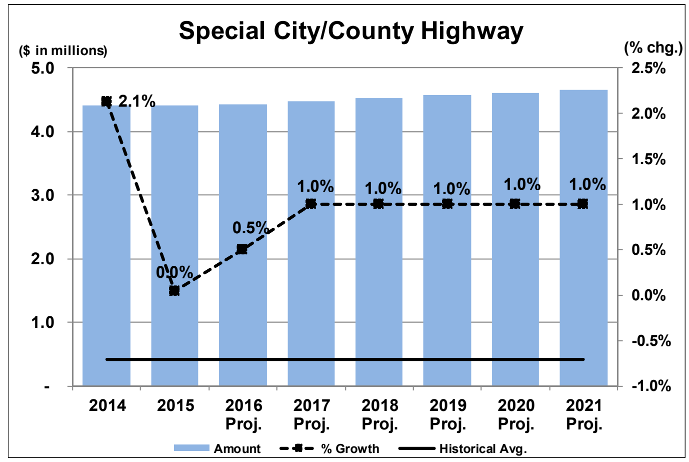
Investment Income



Investment income accounts for revenues generated from the investment of idle County funds. Traditionally, this revenue source can be volatile with collections dependent on interest rates in investment markets, the timing in which investments mature, and the size of the investment portfolio. State law outlines that all investment income is to be deposited in the General Fund unless otherwise directed by statute.

The County has an investment portfolio that ranges from $225 million to $500 million depending on the time of year. By law, the County's investments are restricted to short maturities having little or no risk. Since the Great Recession, investment income has been very low due to very low interest rates. In 2014, collections increased for the first time since 2007, though the amount of revenue generated was $1.3 million. The forecast projects revenue of $1.4 million in 2016.

Special City/County Highway



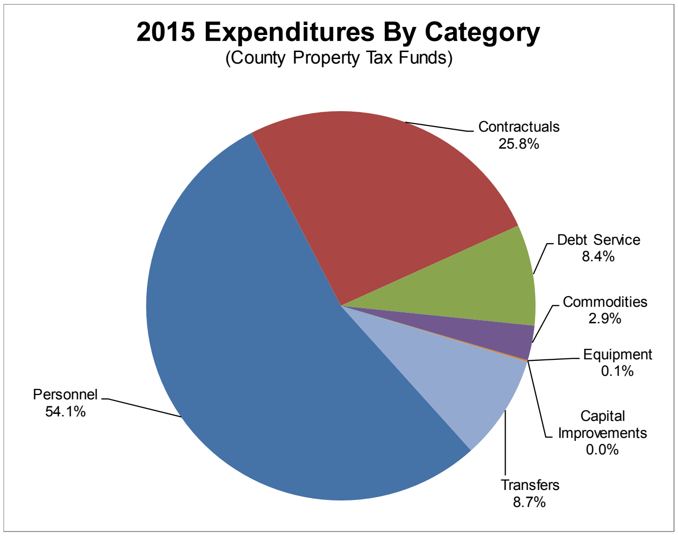
The Highway Department is financed through the Highway Fund to construct and maintain the County's roads, bridges, and intersections. Of the revenues used to fund these operations, the largest is the State's special city/county highway fund authorized under K.S.A. 79-3425. Through the Fund, the State distributes motor-fuel taxes among local jurisdictions based on a distribution formula that includes:

- Each county shall receive a payment of $5,000.
- Remaining 50 percent is allocated based on the portion of collected motor vehicle registration fees in the county compared to the amount collected in all counties.
- Remaining 50 percent is allocated based on the portion of average daily vehicle miles traveled in the county compared to the amount traveled in all counties.

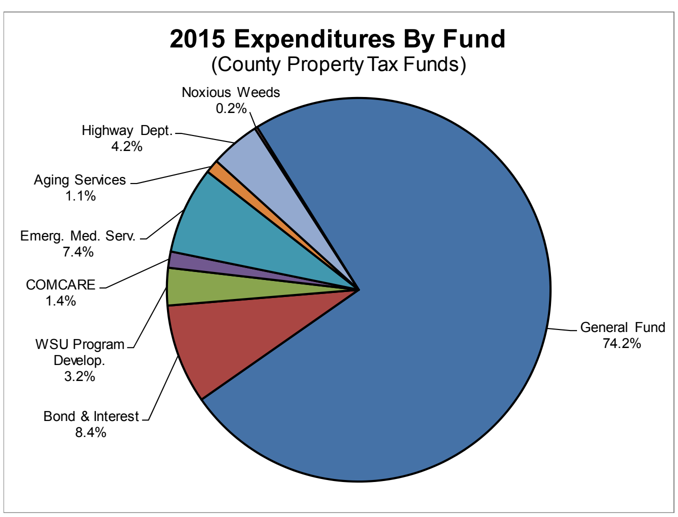
This revenue source has demonstrated considerable variability in the past as State Motor Fuel Gas Tax collections fluctuated, the Legislature made temporary adjustments to the distribution formula, and the State corrected previous distributions made in error. More recently, receipts have been relatively constant from year to year. Collections are anticipated to remain mostly flat through 2021.

■ Expenditures

Sedgwick County's expenditure structure is divided into seven primary spending categories: personnel, contractuals, debt service, commodities, capital improvements, equipment, and interfund transfers. Total expenditures incurred in 2015 in County property-tax-supported funds were $232,003,916. Of those, 54 percent were for personnel costs and 26 percent for contractual services. As with revenues, these actual results are the baseline from which the current financial forecast was developed.

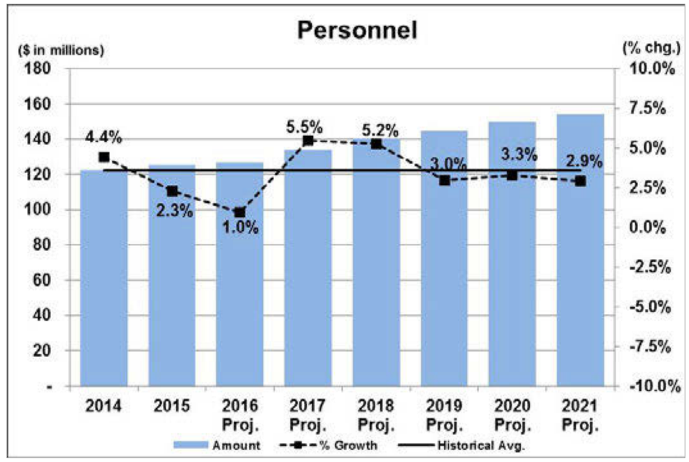


Of the total spent in funds receiving property tax support, the fund with the greatest portion of total expenses is the General Fund with 74 percent of total 2015 expenditures, followed by the Bond and Interest Fund and Emergency Medical Services.



<u>**Specific Expenditure Projections in the Financial Forecast**</u>

Personnel

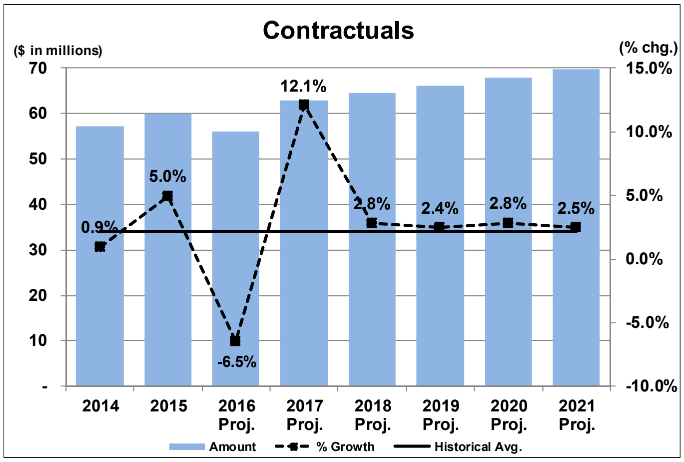


Similar to most government and proprietary entities, personnel expenditures represent the largest cost in delivering services. The projections included in this financial forecast incorporate the following variables:

- A 2.5 percent performance-based compensation pool in 2017, along with a pool of $2.3 million in County property-tax-supported funds to address compression in the County workforce
- A compensation pool of 4.8 percent in 2018 to address pay-for-performance and market pay competitiveness; and a 2.5 percent pay-for-performance pool in each year, 2019-2021
- A 3.0 percent increase in the employer-paid portion of health benefit premiums in 2017 and 5.0 percent each year thereafter
- A return to more typical workers' compensation charges assessed against departments after a one-time reduction in 2016
- Decreases in retirement rates through the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F) in 2017, followed by increases in 2018 through 2021.

	2012	2013	2014	2015	2016	2017
KPERS - Retirement Rates						
	8.34%	8.94%	9.69%	10.41%	10.18%	8.96%
KP&F - Retirement Rates						
Sheriff	16.88%	17.26%	20.28%	21.72%	20.78%	19.39%
Fire	16.54%	17.26%	19.92%	21.36%	20.42%	19.03%
EMS	16.88%	17.26%	20.08%	21.36%	20.42%	19.03%

Contractuals



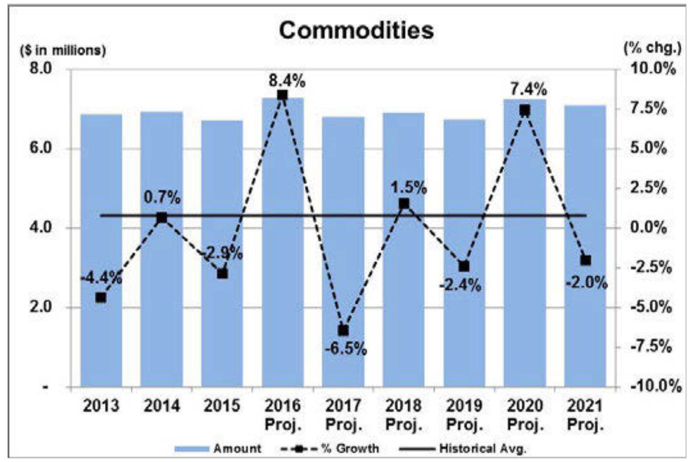
Contractual expenditures, the second largest expenditure category, include services purchased from and delivered by an external entity and internal departmental charges to other funds. These may include utility services, insurance services, software agreements, social services delivered by other community providers, or internal fleet and administrative charges.

Growth in contractual expenditures has averaged 1.6 percent over the past 10 years, with the most significant growth occurring due to the implementation of alternative jail programs and economic development funding. The significant increase in 2015 was due primarily to a one-time payment to assist with a capital improvement project at the Sedgwick County Zoo.

The increase in 2017 anticipates new costs incurred as a result of the County-City of Wichita code function merger. In 2017, the County will begin receiving all revenue related to the Metropolitan Area Building & Construction Department (MABCD); prior to 2017, the bulk of that revenue was collected by the City. In 2017, as the merged operation begins its first year with the County as managing partner, the County will begin reimbursing the City for costs for employees still on the City's staffing table who do code work. Those costs are anticipated at $3.6 million, but may be less as City employees vacate MABCD positions and are replaced with County positions.

Excluding that change, increases included in this forecast anticipate continuing increases in electricity, water, natural gas, inmate medical and food service contracts, and software and technology equipment maintenance costs. The cyclical nature of national, State, and local elections also contributes to expenditure variations in this category.

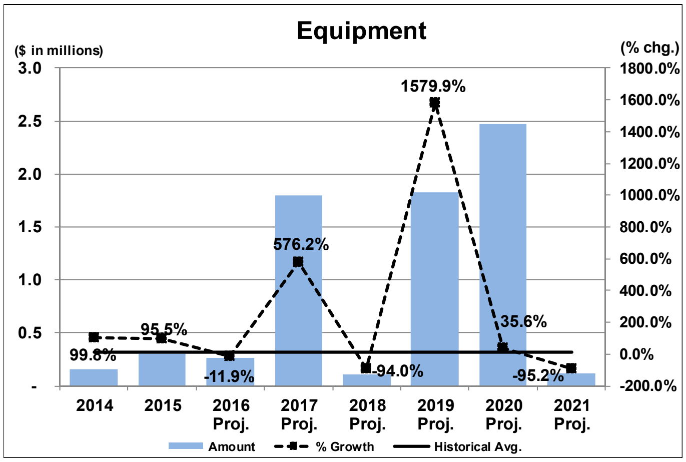
Commodities



This category includes expenditures for the purchase of common tangible items. This may include office supplies, fuel, food, clothing, software, and equipment with acquisition costs of less than $10,000 per unit.

Commodity expenditures often fluctuate from year to year. These fluctuations often are due to the election cycle, when expenses vary from odd years to even year (even years representing either gubernatorial or presidential election cycles).

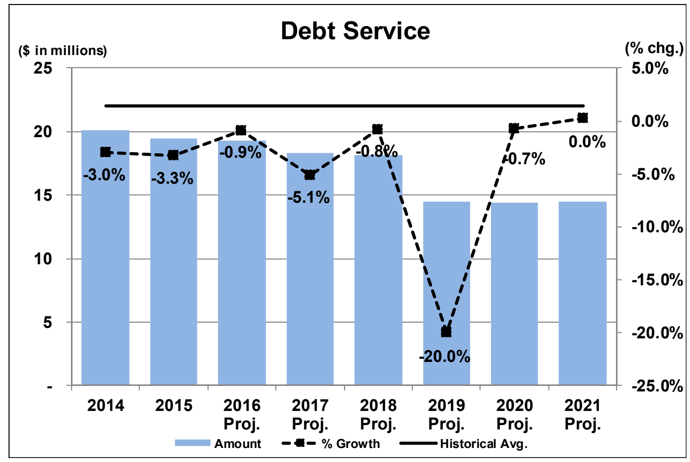
Equipment (Capital Outlay)



Equipment includes expenditures for office, technical, operating, and vehicular equipment that are more than $10,000. Overall, the County spends relatively small amounts for equipment in the property-tax-supported funds, so isolated purchases can often result in sizable year-to-year percentage changes. Over the last several years, those increases have largely been related to enhancements to EMS services.

In the current forecast, equipment expenditures are anticipated to increase dramatically in 2017 related to the replacement of voting equipment in the Election Commissioner's Office and the purchase of an ambulance by EMS. In 2019 and 2020, costs are again expected to spike due to mobile and portable radio replacement across the organization as the radios reach the end of support. Costs are anticipated to return to more typical levels in 2021.

Debt Service

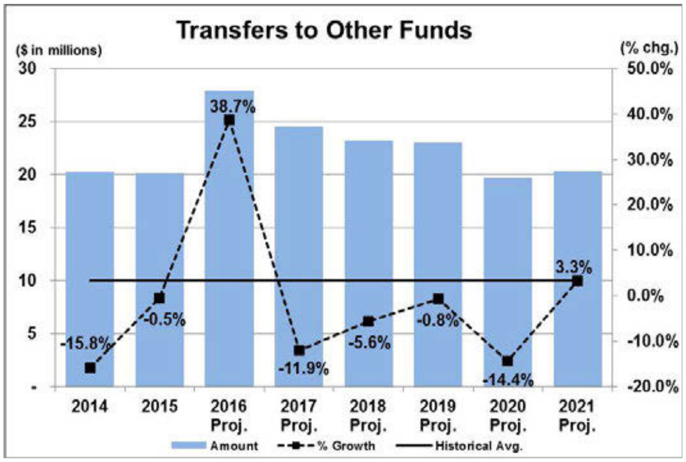


The financial forecast incorporates debt service payments on current debt obligations. Sedgwick County continues to hold the highest bond ratings from the three most widely used rating agencies: Moody's Investor Services, Standard & Poor's, and Fitch Ratings. In a recent rating evaluation, Fitch outlined that Sedgwick County's "financial performance has benefited from strong management systems, including extensive long-term financial and capital planning efforts."

Bond Ratings	
Rating Agency	**Rating**
Standard & Poor's	AAA
Moody's	Aaa
Fitch	AAA

The 2017-2021 Capital Improvement Program does not include any planned debt to fund projects. As older issues mature, anticipated debt expenses decrease. This is illustrated in the decrease in projected debt service costs from 2018 to 2019, when several issues mature.

Transfers to Other Funds



Within statutory limitations, the County is allowed to transfer funding from property-tax-supported funds to other funds to finance equipment purchases, capital improvements, or grant matches. Traditionally, transfers to other funds are relatively consistent from one year to the next with the exception of transfers for capital improvement projects and transfers for one-time equipment and software purchases to the Equipment Reserve Fund.

Recurring annual transfers to other funds include the following:

- $1,597,566 annually in collected retail sales and use tax revenues from the General Fund to the Bond and Interest Fund to mitigate the cost of debt service on road and bridge projects.
- Approximately $14.5 million to $16.3 million annually in collected retail sales and use tax revenues from the General Fund to the Sales Tax Road and Bridge Fund for related capital projects.
- Approximately $1.0 million annually from the General Fund to the Risk Management Fund.
- Annual transfers of varying amounts for cash-funded capital projects as included in the recommended capital improvement program (CIP).

As outlined in the adjacent table, significant changes in transfers from one year to the next are largely related to cash-funded capital projects included in the County's Capital Improvement Plan (CIP).

Primary Recurring Transfers

	Sales Tax To LST Road & Bridge Fund	Sales Tax To Bond & Interest Fund	Other Cash Funded Capital Projects	General Fund to Risk Mgmt.
• 2014	12,178,937	1,597,566	64,129	1,000,397
• 2015	12,626,213	1,597,566	2,283,472	1,381,960
• 2016 Proj.	12,883,556	1,597,566	11,264,376	945,173
• 2017 Proj.	13,150,841	1,597,566	7,740,608	670,559
• 2018 Proj.	13,464,363	1,597,566	5,765,622	1,000,870
• 2019 Proj.	13,832,119	1,597,566	5,189,631	1,029,825
• 2020 Proj.	14,243,590	1,597,566	1,443,004	1,059,753
• 2021 Proj.	14,666,376	1,597,566	1,643,793	1,090,630

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Financial Forecast 2013 - 2021

Modified Accrual Basis

All County Property Tax Supported Funds

		Actual			Estimates					
		2013	2014	2015	2016	2017	2018	2019	2020	2021
1	***Beginning Fund Balance***	*69,848,639*	*70,436,061*	*73,172,680*	*73,798,647*	***71,449,411***	*66,923,682*	*60,614,812*	*55,391,791*	*52,248,380*
2	**Operating Revenue**	-		-		**-**		-		-
3	**Taxes**	169,408,756	170,943,094	173,537,467	176,313,429	**179,879,613**	184,685,965	189,268,226	194,265,213	200,188,004
4	Current property taxes	120,841,203	121,394,370	123,060,228	124,962,310	127,665,546	131,362,580	134,685,239	138,295,309	142,770,161
5	Back property taxes & warrants	3,642,095	2,935,655	3,041,703	2,950,585	2,891,763	2,834,109	2,777,598	2,722,209	2,667,919
6	Special assessment property taxes	1,954,984	1,617,407	1,108,008	941,807	800,536	680,455	578,387	491,629	417,885
7	Motor vehicle taxes	15,964,587	17,055,204	17,617,142	18,229,528	18,860,163	19,512,722	20,187,970	20,886,695	21,609,717
8	Local retail sales tax	24,082,547	24,809,200	25,515,096	25,897,822	26,325,136	26,825,314	27,428,883	28,114,605	28,817,471
9	Local use tax	2,627,539	2,743,805	2,932,462	3,064,423	3,171,677	3,298,544	3,430,486	3,567,706	3,710,414
10	Other taxes	295,802	387,453	262,829	266,956	271,148	275,407	279,733	284,129	288,594
11	**Intergovernmental**	8,712,929	8,101,655	7,159,737	8,397,630	**7,486,887**	7,578,340	7,670,425	7,763,641	7,863,683
12	**Charges for service**	30,786,203	31,925,295	33,015,934	33,281,030	**34,138,534**	33,732,555	33,315,186	34,323,209	35,358,976
13	**Reimbursements**	5,043,657	5,618,700	5,189,745	5,203,682	**5,352,678**	5,532,796	5,719,147	5,911,946	6,111,420
14	**Use of money and property**	5,124,831	4,763,874	4,619,663	4,667,241	**4,650,623**	4,739,699	4,831,155	4,925,069	5,021,517
15	**Other revenues**	3,206,030	4,737,070	5,376,248	2,970,667	**8,113,105**	8,254,622	8,398,816	8,545,739	8,695,444
16	**Transfers from other funds**	4,077,670	3,824,009	3,731,089	4,258,378	**3,736,660**	2,690,245	2,633,479	2,535,970	2,475,526
17	***Total Revenue***	*226,360,076*	*229,913,696*	*232,629,883*	*235,092,056*	***243,358,101***	*247,214,222*	*251,836,433*	*258,270,787*	*265,714,570*
18	**Operating Expenditures**									
19	**Personnel and benefits**	117,411,580	122,615,343	125,438,007	126,635,673	**133,576,410**	140,572,093	144,758,561	149,495,452	153,810,610
20	**Contractual services**	56,584,481	57,120,211	59,954,588	56,049,423	**62,808,494**	64,566,538	66,182,119	68,055,985	69,737,524
21	**Debt service**	20,749,043	20,125,588	19,459,126	19,287,996	**18,297,206**	18,153,570	14,520,719	14,420,902	14,457,067
22	**Commodities**	6,869,614	6,915,662	6,718,427	7,279,794	**6,825,836**	6,913,305	6,746,363	7,247,398	7,099,268
23	**Capital improvements**	46,862	7,268	1,462	12,100	**-**	-	-	-	-
24	**Capital outlay > $10,000**	77,163	154,165	301,440	265,541	**1,795,513**	108,576	1,823,977	2,472,688	118,644
25	**Transfers to other funds**	24,033,913	20,238,814	20,130,864	27,914,580	**24,580,371**	23,209,011	23,027,714	19,721,773	20,370,615
26	***Total Expenditures***	*225,772,656*	*227,177,051*	*232,003,916*	*237,445,107*	***247,883,830***	*253,523,092*	*257,059,453*	*261,414,198*	*265,593,727*
27	***Operating Income***	*587,421*	*2,736,645*	*625,967*	*(2,353,053)*	***(4,525,729)***	*(6,308,870)*	*(5,223,020)*	*(3,143,411)*	*120,843*
28	***Ending Fund Balance***	*70,436,061*	*73,172,680*	*73,798,647*	*71,449,411*	***66,923,682***	*60,614,812*	*55,391,791*	*52,248,380*	*52,369,223*
29	**Assessed valuation**	4,273,459,432	4,301,084,880	4,348,562,089	4,410,040,706	4,536,988,223	4,654,949,917	4,771,323,665	4,897,763,742	5,054,492,182
30	***Assessed valuation % chg.***	-0.14%	0.65%	1.10%	1.41%	2.88%	2.60%	2.50%	2.65%	3.20%
31	**Mill levy**	29.446	29.377	29.478	29.383	29.359	29.359	29.359	29.359	29.359
32	***Mill levy change***	0.018	(0.069)	0.101	(0.095)	(0.024)	0.000	0.000	0.000	0.000